

ACCOUNTING

Time allowed - 2 hours

Total marks - 100

[N.B – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks |
|---|-------|
| 1. Accountancy is the language of business. The main purpose of a business is to make profit or maximize profit and one of the jobs of an Accountant is to prepare financial statements to determine the profitability for a period and state the position of a business at a particular date. Explain the term general purpose financial statements? | 5 |
| 2. Identify four users of financial statements and explain their information needs. | 5 |
| 3. Kiran commenced trading business in June 2018. Show the effect of the following transactions in the extended accounting equation for 3 months: | 10 |
| <ul style="list-style-type: none">(i) He borrowed Tk. 2,000 from his bank and the relevant interest was Tk. 25 per month.(ii) He rented a van for Tk. 1,200 for 3 months.(iii) He hired an assistant salesman for Tk. 200 per month.(iv) Cash sales were Tk. 8,600 and credit sales were Tk. 4,500.(v) During the period, he paid his son's school fees Tk. 50 per month. | |
| 4. State which books of original entry the following transactions would be entered into: | 10 |
| <ul style="list-style-type: none">(i) Your business pays a cheque for Tk. 450 to XYZ Ltd., a supplier.(ii) You send an invoice of Tk. 650 to Picaso Ltd., a customer.(iii) Your accounts manager asks you for Tk. 12 to buy envelopes.(iv) You receive an invoice from a supplier for Tk. 300.(v) You pay a customer Tk. 500 by on line transfer.(vi) F Jony, a customer, returns goods valued Tk. 250.(vii) You return goods to J Green valued Tk. 504.(viii) F Jony pays you a cheque for Tk. 500. | |
| 5. The balance of trade receivable account as on 1.10.2018 Tk. 10,000 and closing balance of trade receivable account as on 31.10.2018 Tk. 15,000. Total collection during the month is Tk. 150,000. Cash sale is the 40% of credit sales made during the month. Assume that company earned 25% profit on costs. Calculate profit before tax for the month of October 2018. | 5 |
| 6. When there is a difference in trial balance, a suspense account is opened with the amount of the difference so that the trial balance agrees. This is the only time an entry is made in the records without a corresponding entry elsewhere. This entry is the exception of double entry book keeping system. Moreover, balancing of the trial balance does not necessarily mean that all records and the suspense account are correct. You are required to identify and explain the errors which does not affect the suspense account. | 5 |

7. The Trial Balance of Mr. Khan, a sole trader, for the year ended on 31 Dec. 2017 was not tallied and a suspense account was opened for the difference to close the books. Subsequently, the following errors were detected while checking the books of accounts:
- Tk. 2, 296 paid for repairs of motor car, was debited to Motor Car Account as Tk. 696.
 - A sale of Tk. 1,400 to Fida entered in the sales book as Tk. 2,120.
 - A cash discount of Tk. 800 received was entered in the cash book but was not posted in the ledger.
 - Tk. 400 being purchase returns posted to the debit of purchase account.
 - The purchase of a machine on 01. 04.2017 for Tk.24,000 was entered in the purchase book.
 - While carrying forward total of one page in Nitu's account, the amount of Tk.1,000 was written on the credit side instead of debit side.
 - A cheque of Tk. 6,192 received from DJ (after allowing a discount of Tk. 92) was endorsed to KD in full settlement for Tk. 7,000. The cheque was finally dishonored but no entry was passed in the book.

Give Journal entries to rectify the above and prepare a revised Suspense Account.

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8. Sipra Pvt. Ltd. has two accounts with SE Bank Ltd. The accounts were known as Account I and Account II. As at 31 December 2017, the balance as per accounts reflected the following:
Account I: Tk. 1,25,000 (Regular Balance); Account II: Tk. 1,11,250 (over draft balance).

The accountant failed to tally the balance with the bank statement and the following information are available:

- The bank charged interest on Account II Tk. 11,375 and credited interest on Account I Tk. 1,250. These were not recorded by the accountant.
- Tk.12,500 drawn on December 10,2017 from Account I was recorded in the books of Account II.
- Bank charges of Tk. 150 and 1,125 for Account I and Account II respectively were not recorded in the books.
- A deposit of Tk. 17,500 in Account I was wrongly entered in Account II in the books.
- Two cheques of Tk. 12,500 and Tk. 13,750 deposited in Account I, but entered in Account II in the books, were dishonored. The entries for dishonored cheques were entered correctly in Account II.
- Cheques issued for Tk. 1,50,000 and Tk.15,000 from Account I and II respectively, were not presented until January 2018.
- Cheques deposited Tk. 1,25,000 and 1,17,500 in Accounts I and II respectively, were credited by the bank only on February 2,2018.

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You are required to prepare the Bank Reconciliation Statement for Account II.

9. State the treatment of the following transactions in the Cash flow Statement of the company for the year ended on June 30, 2017.

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- The company had interest receivable of Tk.35,000 at the start of the year and interest receivable of Tk.42,000 at the end of the year. The income statement for the year shows interest income of Tk.90,000.
- Issuance of notes payable during the year for Tk. 100,000
- The Property, plant and equipment as on 31.12.2017 at cost was Tk. 6,800,000. During the year, the company disposed of assets Tk. 400,000 that had a cost of Tk. 850,000. At 31.12.2016, the company's property, plant & equipment at cost had been Tk. 5,100,000. Assume that all are cash purchase.
- The company had a liability for income tax at 31 December 2016 of Tk. 940,000 and a liability for income tax at 31 December 2017 of Tk. 1,125,000. The income tax charge for the year to 31 December 2017 was Tk. 1,270,000.

- (e) The company issued 8,750 shares of Tk. 10 each at par during the year to December 31, 2017. Loans taken out increased from Tk. 18,000 at the beginning of the year to Tk. 30,000 at the end of the year, 31 Dec.2017. The company declared a dividend of 10% per share.

10. (a) The following figures are for the year 2017 of company X:

Inventory 1.1.2017	Tk. 4,000
Inventory 31.12.2017	Tk. 6,000
Purchases	Tk. 52,000

A uniform rate of mark-up of 20% is applied. Calculate the gross profit and sales figure.

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- (b) The following figures are for the year 2017 of company Y:

Inventory 1.1.2017	Tk. 5,000
Inventory 31.12.2017	Tk. 8,000
Sales	Tk. 64,000

A uniform rate of margin of 25% is in use. Calculate the gross profit and purchase during the year.

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11. Keya Traders had the following trial balance as at 31 December 2017.

<u>Ledger accounts</u>	<u>Tk. '000</u>	<u>Ledger accounts</u>	<u>Tk. '000</u>
Land and buildings	430	Owner's capital at 1 Jan 2017	450
Plant and machinery – cost	830	Bank loan	613
Inventories at 1 Jan 2017	190	Land and buildings - accumulated depreciation	20
Purchases	2,152	Plant and machinery – accumulated depreciation	222
Loan interest	10	Sales	2,695
Salaries and wages	254	Suspense account	420
Drawings	31	Accounts payable	195
Miscellaneous expenses	113		
Accounts receivable	464		
Cash	141		
	4,615		4,615

The following matters have now been discovered:

- Inventories on hand at 31 December 2017 cost Tk. 220,000.
- Loan interest of Tk. 10,000 should be accrued at 31 December 2017.
- On 1 January 2017 Keya injected a further capital of Tk.190,000 into the business. The only entry made was to debit cash.
- On 1 January 2017 an item of plant that had cost Tk. 350,000 and on which depreciation of Tk. 74,000 had been charged was disposed of for Tk. 230,000. The only entry made was to debit cash.
- Depreciation of Tk. 36,000 needs to be charged on the remaining plant and machinery, and Tk. 5,000 on the land and buildings.

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You are required to prepare Keya Traders' income statement for the year ended 31 December 2017.

12. On the basis of information available from above question (number 11) and your answer to that question you are required to prepare a statement of financial position.

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